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LOCAL AUDIT & FINANCE DIV.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2005

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Marengo	County Calhoun
Audit Date March 31, 2005	Opinion Date July 13, 2005	Date Accountant Report Submitted to State: August 26, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF MARENGO
Calhoun County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT

July 13, 2005

To the Township Board
Township of Marengo
Calhoun County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Marengo, Calhoun County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Sheridan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Marengo, Calhoun County, Michigan as of March 31, 2005, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF MARENGO
Calhoun County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

The Management's Discussion and Analysis report of the Township of Marengo covers the Township's financial performance during the year ended March 31, 2005.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2005, totaled \$811,148.30 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$284,875.52 from governmental activities. Governmental activities had a loss of 6% (\$7,538.00) in revenue sharing.

Taxable value for 2003 was \$51,665,661.00, 2004 was \$53,741,655.00, and 2005 was \$56,632,434.00.

Our Township Millage Tax Rate for 2004 is .8520.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

ENTITY-WIDE FINANCIAL STATEMENTS (continued)

All of the activities of the Township are reported as governmental activities. This includes the General Fund and the Cemetery Perpetual Care Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund and the Cemetery Perpetual Care Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

No major Fire Department equipment, over \$500.00 was spent.

Road improvements were made.

Our cash position in the governmental activities remains healthy. We do not carry any debts.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for the Township's governmental services. The most significant was road improvement, which incurred expenses of \$44,660.00.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township paid \$0 on new capital assets.

No long-term debt activity at this time.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents 57% of our income. We continue to grow in taxable values with little demand for infrastructure, except roads, and fire department maintenance.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Treasurer at 13995 – 23 Mile Road, Albion, Michigan 49224, or at 269-781-8422 or fax 269-781-9862.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2005

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	524 816 99
Taxes receivable	4 368 06
Special assessments receivable	<u>3 213 08</u>
Total Current Assets	<u>532 398 13</u>
NON-CURRENT ASSETS:	
Capital Assets	475 441 34
Less: Accumulated Depreciation	<u>(193 153 78)</u>
Total Non-current Assets	<u>282 287 56</u>
TOTAL ASSETS	<u>814 685 69</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>3 537 39</u>
Total Current Liabilities	<u>3 537 39</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>3 537 39</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	282 287 56
Reserved for cemetery	9 503 89
Unrestricted	<u>519 356 85</u>
Total Net Assets	<u>811 148 30</u>
TOTAL LIABILITIES AND NET ASSETS	<u>814 685 69</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

		Program Revenue		Governmental Activities
				Net (Expense)
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants - Contributions</u>	Revenue and Changes in Net Assets
FUNCTIONS/PROGRAMS				
Governmental Activities:				
Legislative	12 330 82	-	-	(12 330 82)
General government	71 093 34	1 550 00	-	(69 543 34)
Public safety	158 808 62	60 815 48	2 151 00	(95 842 14)
Public works	<u>49 127 19</u>	<u>2 404 76</u>	<u>-</u>	<u>(46 722 43)</u>
Total Governmental Activities	<u>291 359 97</u>	<u>64 770 24</u>	<u>2 151 00</u>	<u>(224 438 73)</u>
General Revenues:				
Property taxes				45 782 07
State revenue sharing				151 381 40
Interest				8 194 10
Miscellaneous				<u>12 596 72</u>
Total General Revenues				<u>217 954 29</u>
Change in net assets				(6 484 44)
Net assets, beginning of year				<u>817 632 74</u>
Net Assets, End of Year				<u>811 148 30</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS

March 31, 2005

	<u>General</u>	<u>Other Funds</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	515 313 10	9 503 89	524 816 99
Taxes receivable	4 368 06	-	4 368 06
Special assessment receivable	<u>3 213 08</u>	<u>-</u>	<u>3 213 08</u>
Total Assets	<u>522 894 24</u>	<u>9 503 89</u>	<u>532 398 13</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts payable	<u>3 537 39</u>	<u>-</u>	<u>3 537 39</u>
Total liabilities	<u>3 537 39</u>	<u>-</u>	<u>3 537 39</u>
Fund equity:			
Fund balances:			
Reserved for cemetery	-	9 503 89	9 503 89
Unreserved:			
Undesignated	<u>519 356 85</u>	<u>-</u>	<u>519 356 85</u>
Total fund equity	<u>519 356 85</u>	<u>9 503 89</u>	<u>528 860 74</u>
Total Liabilities and Fund Equity	<u>519 356 85</u>	<u>9 503 89</u>	<u>532 398 13</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

March 31, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS 528 860 74

Amounts reported for governmental activities in the statement of
net assets are different because –

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost	475 441 34
Accumulated depreciation	<u>(193 153 78)</u>

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES 811 148 30

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2005

	<u>General</u>	<u>Other Funds</u>	<u>Total</u>
Revenues:			
Property taxes	45 782 07	-	45 782 07
Federal grant	2 151 00	-	2 151 00
Licenses and permits	15 127 61	-	15 127 61
State revenue sharing	151 381 40	-	151 381 40
Charges for services – fire protection	20 370 00	-	20 370 00
Interest	7 951 57	242 53	8 194 10
Special assessments	29 272 63	-	29 272 63
Miscellaneous	12 596 72	-	12 596 72
Total revenues	<u>284 633 00</u>	<u>242 53</u>	<u>284 875 53</u>
Expenditures:			
Legislative:			
Township Board	12 330 82	-	12 330 82
General government:			
Supervisor	10 600 00	-	10 600 00
Elections	3 205 51	-	3 205 51
Assessor	15 617 96	-	15 617 96
Audit and attorney	3 541 00	-	3 541 00
Clerk	15 394 21	-	15 394 21
Board of Review	757 50	-	757 50
Treasurer	14 631 56	-	14 631 56
Cemetery	6 345 60	-	6 345 60
Public safety:			
Fire protection	86 076 72	-	86 076 72
Ambulance	31 948 97	-	31 948 97
Protective inspection	12 156 00	-	12 156 00
Planning and zoning	2 677 50	-	2 677 50
Public works:			
Drains	978 50	-	978 50
Highways and streets	44 660 00	-	44 660 00
Street lights	3 488 69	-	3 488 69
Total expenditures	<u>264 410 54</u>	<u>-</u>	<u>264 410 54</u>
Excess of revenues over expenditures	20 222 46	242 53	20 464 99
Fund balances, April 1	<u>499 134 39</u>	<u>9 261 36</u>	<u>508 395 75</u>
Fund Balances, March 31	<u><u>519 356 85</u></u>	<u><u>9 503 89</u></u>	<u><u>528 860 74</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 20 464 99

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense
Capital Outlay

(26 949 43)

-

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

(6 484 44)

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Marengo, Calhoun County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Marengo. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Permanent Fund

The Cemetery Perpetual Care Fund is used to account for amounts received for maintenance of the cemetery.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes are accrued in the year in which they are levied. The tax levy is recorded as deferred revenue until the subsequent year when it becomes available for use.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2004 tax roll millage rate was .8520 mills, and the taxable value was \$53,939,015.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	25 years
Furniture and equipment	15 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$282,287.56.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 2 – Budgets and Budgetary Accounting (continued)

3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>524 816 99</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

Note 3 – Deposits and Investments (continued)

	<u>Bank Balances</u>
Insured (FDIC)	168 968 12
Uninsured and Uncollateralized	<u>364 928 01</u>
Total Deposits	<u><u>533 896 13</u></u>

The Township of Marengo did not have any investments as of March 31, 2005.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/05</u>
<u>Governmental Activities:</u>				
Land	21 500 00	-	-	21 500 00
Buildings	50 000 00	-	-	50 000 00
Equipment	<u>403 941 34</u>	<u>-</u>	<u>-</u>	<u>403 941 34</u>
Total	475 441 34	-	-	475 441 34
Accumulated Depreciation	<u>(166 204 35)</u>	<u>(26 949 43)</u>	<u>-</u>	<u>(193 153 78)</u>
Net Capital Assets	<u><u>309 236 99</u></u>	<u><u>(26 949 43)</u></u>	<u><u>-</u></u>	<u><u>282 287 56</u></u>

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

As of March 31, 2005, the Township had building permit revenues of \$13,577.61 and building permit expenses of \$12,156.00.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 9 – Budget Variances

During the fiscal year ended March 31, 2005, Township expenditures exceeded the budgeted amounts in the activities as follows:

	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Excess Expenditures</u>
General Fund Activity:			
Assessor	15 000 00	15 617 96	617 96
Ambulance	20 130 00	31 948 97	11 818 97
Highways and streets	22 000 00	44 660 00	22 660 00

TOWNSHIP OF MARENGO
Calhoun County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	46 000 00	46 000 00	45 782 07	(217 93)
Federal grant	-	-	2 151 00	2 151 00
Licenses and permits	24 500 00	23 668 61	15 127 61	(8 541 00)
State revenue sharing	135 000 00	145 828 00	151 381 40	5 553 40
Charges for services:				
Fire protection	20 570 00	20 570 00	20 370 00	(200 00)
Interest	9 000 00	9 000 00	7 951 57	(1 048 43)
Special assessments	2 080 00	2 080 00	29 272 63	27 192 63
Miscellaneous	450 00	450 00	12 596 72	12 146 72
Total revenues	<u>237 600 00</u>	<u>247 596 61</u>	<u>284 633 00</u>	<u>37 036 39</u>
Expenditures:				
Legislative:				
Township Board	19 912 00	20 330 00	12 330 82	(7 999 18)
General government:				
Supervisor	11 700 00	11 000 00	10 600 00	(400 00)
Elections	3 350 00	3 800 00	3 205 51	(594 49)
Assessor	15 000 00	15 000 00	15 617 96	617 96
Audit and attorney	5 500 00	6 000 00	3 541 00	(2 459 00)
Clerk	18 030 00	18 030 00	15 394 21	(2 635 79)
Board of Review	950 00	950 00	757 50	(192 50)
Treasurer	15 498 00	16 245 00	14 631 56	(1 613 44)
Cemetery	8 000 00	8 000 00	6 345 60	(1 654 40)
Public safety:				
Fire protection	87 410 00	93 547 50	86 076 72	(7 470 78)
Ambulance	14 965 00	20 130 00	31 948 97	11 818 97
Protective inspection	18 000 00	18 000 00	12 156 00	(5 844 00)
Planning and zoning	4 618 00	6 063 50	2 677 50	(3 386 00)
Public works:				
Drains	4 000 00	4 000 00	978 50	(3 021 50)
Highways and streets	22 000 00	22 000 00	44 660 00	22 660 00
Street lights	3 500 00	3 500 00	3 488 69	(11 31)
Total expenditures	<u>252 433 00</u>	<u>266 596 00</u>	<u>264 410 54</u>	<u>(2 185 46)</u>
Excess (deficiency) of revenues over expenditures	(14 833 00)	(18 999 39)	20 222 46	39 221 85
Fund balance, April 1	<u>14 833 00</u>	<u>18 999 39</u>	<u>499 134 39</u>	<u>480 135 00</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>519 356 85</u>	<u>519 356 85</u>

TOWNSHIP OF MARENGO
Calhoun County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2005

Township Board:	
Salaries	3 610 00
Memberships and dues	1 094 84
Contracted services	4 314 91
Payroll taxes	2 984 84
Miscellaneous	326 23
	<u>12 330 82</u>
Supervisor:	
Salary	10 000 00
Salary – Deputy Supervisor	600 00
	<u>10 600 00</u>
Elections:	
Wages	1 623 00
Supplies	1 582 51
	<u>3 205 51</u>
Assessor:	
Contracted services	14 499 96
Miscellaneous	1 118 00
	<u>15 617 96</u>
Audit and attorney:	
Professional services	3 541 00
	<u>3 541 00</u>
Clerk:	
Salary	9 050 00
Salary – Deputy Clerk	1 980 00
Supplies	2 188 72
Telephone	1 327 01
Printing and publishing	848 48
	<u>15 394 21</u>
Board of Review:	
Per diem	757 50
	<u>757 50</u>
Treasurer:	
Salary	10 125 00
Salary – Deputy Treasurer	1 620 00
Supplies	706 42
Tax roll preparation	2 180 14
	<u>14 631 56</u>
Cemetery	
	<u>6 345 60</u>
Fire protection:	
Salaries and wages	27 026 63
Training	7 244 00
Supplies	403 12
Gas and oil	1 543 83
Clothing	3 649 44
Insurance	26 259 12
Utilities	4 003 43
Repairs and maintenance	13 658 81
Miscellaneous	2 288 34
	<u>86 076 72</u>

TOWNSHIP OF MARENGO
Calhoun County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2005

Ambulance	<u>31 948 97</u>
Protective inspection: Wages	<u>12 156 00</u>
Planning and zoning: Zoning Administrator	1 800 00
Planning Commission	645 00
Miscellaneous	<u>232 50</u>
	<u>2 677 50</u>
Drains	<u>978 50</u>
Highways and streets	<u>44 660 00</u>
Street lighting: Utilities	<u>3 488 69</u>
Total Expenditures	<u><u>264 410 54</u></u>

TOWNSHIP OF MARENGO
Calhoun County, Michigan

BALANCE SHEET - PERMANENT FUND
March 31, 2005

	Cemetery Perpetual Care
<u>Assets</u>	
Cash in bank	9 503 89
Total Assets	<u>9 503 89</u>
<u>Liabilities and Fund Balances</u>	
Liabilities	-
Fund balances: Reserved	9 503 89
Total Liabilities and Fund Balances	<u>9 503 89</u>

TOWNSHIP OF MARENGO
Calhoun County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – PERMANENT FUND
Year ended March 31, 2005

	Cemetery Perpetual Care
Revenues:	
Interest	<u>242 53</u>
Total revenues	<u>242 53</u>
Expenditures – Cemetery	<u>-</u>
Excess of revenues over expenditures	242 53
Fund balance, April 1	<u>9 261 36</u>
Fund Balance, March 31	<u><u>9 503 89</u></u>

TOWNSHIP OF MARENGO
Calhoun County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2005

	<u>Balance</u> <u>4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/05</u>
<u>Assets</u>				
Cash in Bank	<u>1 318 26</u>	<u>1 674 620 56</u>	<u>1 671 677 39</u>	<u>4 261 43</u>
<u>Liabilities</u>				
Due to other funds	-	46 876 42	46 876 42	-
Due to other units	<u>1 318 26</u>	<u>1 627 744 14</u>	<u>1 624 800 97</u>	<u>4 261 43</u>
Total Liabilities	<u>1 318 26</u>	<u>1 674 620 56</u>	<u>1 671 677 39</u>	<u>4 261 43</u>

TOWNSHIP OF MARENGO
Calhoun County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2005

Cash on hand and in bank – beginning of year	<u>1 318 26</u>
Cash receipts:	
Property taxes	1 674 237 56
Trailer park fees	<u>383 00</u>
Total cash receipts	<u>1 674 620 56</u>
Total beginning balance and cash receipts	<u>1 675 938 82</u>
Cash disbursements:	
Calhoun County	613 454 89
Calhoun County Intermediate School District	301 708 15
Marshall Public Schools	171 055 63
Albion Public Schools	9 734 88
Mar-Lee Public Schools	205 180 03
Kellogg Community College	180 398 87
Marshall District Library	104 067 14
Marshall Fire and Ambulance	24 304 40
City of Marshall	103 97
Township General Fund	46 876 42
Refunds	<u>14 793 01</u>
Total cash disbursements	<u>1 671 677 39</u>
Cash on Hand and in Bank – End of Year	<u><u>4 261 43</u></u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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KENNETH P. KUSTERER, CPA

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BAY CITY, MICHIGAN 48707

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FAX (989) 894-5494

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

July 13, 2005

To the Township Board
Township of Marengo
Calhoun County, Michigan

We have audited the financial statements of the Township of Marengo for the year ended March 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Marengo in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Marengo
Calhoun County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2005. The implementation of this pronouncement for the Township of Marengo began with the year ended March 31, 2005. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2005.

To the Township Board
Township of Marengo
Calhoun County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants